



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair	Mike Roorda
Committee Member	Hedy Chang
Committee Member	Larry Carr
Staff: Finance Director	Jack Dilles
Business & Housing Director	Garrett Toy
Recreation & Community Svcs. Mgr.	Julie Spier
Assistant to the City Manager	Melissa Stevenson Dile
Budget Manager	Chu Thai

SPECIAL MEETING

Monday, March 1, 2004

MINUTES

6:00 P.M.

CALL TO ORDER

Chair Roorda, Committee Member Chang, and Committee Member Carr
Staff: Dilles, Toy, Spier, Dile, and Thai

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of minutes for January 30, 2004

The minutes for January 30, 2004, were unanimously approved.

2. Review Revenue Enhancement Options for City Council Consideration (Discussion) (Timeline for potential ballot measure to be distributed prior to meeting)

Staff introduced this discussion by indicating that the Finance Committee had, at its March 1 meeting, directed staff to invite Business and Housing Director Garrett Toy to the next Committee meeting, so he could discuss how the current RDA investment policy works. Mr. Toy proceeded to describe the existing Business Assistance Guidelines used by the Redevelopment Agency in making loans for economic development purposes. He indicated that the policy provides that for every \$4 of assistance provided, the Agency expects that the City General Fund will receive back at least \$1 over a 10 year period, on top of the repayment of monies loaned. He explained that there are actually direct and indirect benefits that accrue from such investments. The direct benefits are represented by the monies that the City receives as a result of the 1% slice of new retail sales that are generated in Morgan Hill, while the indirect benefits include the creation of new local jobs and new spending on local vendors. The loan repayment period may be up to 25 years.

Committee Member Chang indicated that the City could use a similar policy for General Fund investments, could look at 4 or 5 businesses, and select for assistance the one which provided the best return. Mr. Toy indicated that it is difficult to get a 15% or 20% return on investment for the types of businesses assisted by the Redevelopment Agency so far. Chair Roorda inquired if a very big business were attracted to Morgan Hill through such an incentive if the return could be this much and Mr. Toy said it could.

Committee Member Chang stated that she believed 10 years is too long a period for recovery of \$1 for every \$4 loaned. It was noted that, since the proposed RDA assistance to Ford is a grant rather than a loan, there should be guidelines for grants as well. Mr. Toy explained that the intent of grants such as the one proposed to be made to Ford is to address the business gap through economic incentives like sharing sales tax revenues. Chair Roorda asked if a new project supported through economic development assistance brings new costs to the City. Mr. Toy responded that such costs, like police protection, would be negligible. Committee Members agreed that Mr. Toy should be invited back to the next Committee meeting to discuss City economic assistance guidelines further.

Chair Roorda stated that it would be great if the City could get dollars back faster than over a 10 year period. Committee member Carr responded that if the City is too expensive, the businesses would not need us. The City should involve itself in assistance discussions sooner rather than waiting until a business approaches the City and describes their economic gap.

There was a brief discussion as to how the matter of the Return on Investments should be handled in conjunction with the Economic Development Subcommittee and it was determined that since Committee Member Carr sits on both committees, he could be the common link on both committees on this subject.

Staff distributed an “Abbreviated Election Calendar for Ballot Measure for the November 2, 2004 Election” in response to the prior Committee request. Staff described this calendar and the Committee asked that staff return to the next Committee meeting with an expanded calendar showing additional steps necessary prior to City Council adoption of Resolutions. Staff responded that this would be provided at the next meeting. Staff indicated that the steps necessary would vary somewhat depending upon whether the Committee proposed that the November 2004 ballot measure be a tax measure or be just an advisory measure expressing community support for new tax measures.

3. Concession Opportunities at Aquatics Complex

Ms. Spier presented the staff report describing proposals by 2 concessionaires along with the City’s proposal to run the concession itself, as analyzed by a City consultant. The Committee indicated that they would like to see a 17% return on gross sales, along with any additional sales tax return. Ms. Spier indicated that the analysis assumed that a minimum return would be based upon 100 operating days. Chair Roorda asked why this subject was brought to the Committee. Staff responded that this subject was brought to the Committee before being brought to the City Council for consideration to assist staff in proceeding along the best path. Ms. Spier asked if the Committee recommends that staff re-negotiate proposed terms with the two concession bidders and the Committee indicated that staff should see if they could get more from the bidders. In particular, the Committee asked staff to see if the bidders would guarantee the City the expected minimums of \$19,000 the first year and \$30,000 the second year. Committee Member Carr indicated that perhaps the bidders should pay a flat rent rather than a percentage of gross revenue. In general, the Committee agreed that the concession proposals shifted all business risk to the City and that, if possible, the bidders should share in this risk. However, there was also a recognition that time is of the essence since the Aquatics Complex will be opening very soon and the process should move ahead expeditiously.

4. Financial and Investment Report for January 2004

This topic was not discussed due to time constraints.

5. Web Posting of Treasurer’s Quarterly Report (Discussion)

This item was not discussed, but was continued to the next meeting.

6. Financial Statements for 2002/03 (previously distributed)

This item was not discussed, but was continued to the next meeting.

7. Future Agenda Items (Discussion)

Ms. Dile indicated that staff planned to bring the results of a staff produced Purchasing Study to the Committee on March 24 for feedback prior to presenting the study and its recommendation s to the City Council.

ADJOURNMENT: 7:40 P.M.

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.